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A National Policy—Public Works to Stabilize Employment

By OTTO T. MALLERY

DURING the war period large amounts of necessary public works have been deferred on account of lack of material, labor and capital. The War Industries Board has diverted the material needed; the draft and munitions plants have taken the labor; and the Capital Issues Committee has prevented the raising of the capital. Thus the war forced the adoption of the excellent policy recommended for peace times but never adopted—the policy of doing less public work during periods of great industrial activity and of speeding up the construction of public works during periods of general unemployment. Now comes the time to carry out the second half of this policy.

In ordinary years of peace the amount of public money spent in the United States on public works is prodigious. It comes to \$600,000,000 a year. Suppose that we should adopt the policy of spending nine-tenths of this and of putting the remaining one-tenth each year into a reserve for a bad year of unemployment.¹ We would at the end of five years have a sum that would employ 800,000 workers in a bad year of unemployment at average wages for a period of three months. As two-thirds of the whole sum expended for public works in the United States is by the governments of cities, these 800,000 workers would be employed in every part of the country and the larger groups in the industrial cities where unemployment is ordinarily most acute. This would be a peace order quite worthy to be compared with any of our great war orders.²

In effect the war has given the United States this reserve of usual, necessary public works undone, although of course no reserve of capital with which to do it. It is a safe estimate that the amount of public works deferred during the war period of 1917 and

¹ Periods of industrial depression and unemployment have occurred on the average once in ten years in the United States since 1850.

² For the best presentation of this subject see "Big Jobs for Bad Times," by William Hard, *Everybody's Magazine*, August, 1916, from which the above figures are derived.

1918, plus the ordinary new public works for 1919, would employ 2,400,000 workers for three months at average wages.¹

Clearly the execution of all this public work in 1919 would have an important stabilizing effect upon unemployment and would ease the process of demobilization and the transition of the workers from war to peace industries. The employment provided by these public works is not only employment to the workers directly engaged upon them but also employment to those needed in producing the materials for the work. In addition the purchasing power of the workers directly employed indirectly creates employment for other workers who produce the things for which the wages of the first group are spent. This initial impulse of setting a group of unemployed men to work has the same effect as dropping a pebble into a pond. The ripples it starts extend farther than the eye can see and the circles of motion widen and move in all directions to the farthest shores.

The use of public works as a stabilizing force is about to be put into practice for the first time. The War Labor Policies Board, of the Department of Labor, has approved such a policy and is at work developing it. Suggestions have been made to the cities to go ahead with their deferred and necessary public works. The cost, time and number of men needed will soon be known to the War Labor Policies Board and the United States Employment Service. The plans of the state governments for public works are also being assembled and studied by the War Labor Policies Board. All this information will be in the hands of the War Department for such use as it may decide to make of it in its plans for military demobilization.

The state of Pennsylvania is a pioneer in this undertaking. A few months after the United States entered the war the legislature of Pennsylvania passed an act creating an Emergency Public Works Fund and an Emergency Public Works Commission to administer it. The commission is now gathering information from all departments of the Pennsylvania state government concerning the necessary public works which the state might undertake during periods of unemployment and industrial depression. The legisla-

¹ These figures are based on a safe assumption that only 25 per cent of the usual public works were deferred in 1917 and 1918 on account of war conditions and that the amount of new public works for 1919 would be no larger than the pre-war annual average.

ture appropriated a small sum to the Emergency Public Works Fund as a beginning. The expectation was clearly that this fund should be increased by each succeeding legislature and allowed to accumulate until the next great period of unemployment.¹ A recent amendment to the constitution of Pennsylvania permits the state to borrow \$50,000,000 for roads. This gives Pennsylvania a chance to do an important part of this work during the critical period of transition.

Bills similar to the Pennsylvania act are in preparation for introduction into the legislatures of several states in 1919. Special appropriations and bond issues will also be sought in some of these states and public works stimulated in 1919.

The Ministry of Reconstruction of Great Britain has pointed out the urgent need of public works to ease demobilization and the transition from war to peace. In Great Britain the percentage of men under arms to the total population is at least three times as great as the percentage in the United States, and the undertaking correspondingly more complex and dangerous to order and political stability. Plans have apparently been made for the payment of wages to munitions workers for a period following their discharge and also for the payment of a similar allowance to ex-soldiers. What federal public works will be undertaken direct by the various branches of the federal government during the transition period has not yet been determined. (November 20, 1918.)

The Department of Interior is well advanced upon its plans for creating ready made farms to be sold to returned soldiers. Ellwood Mead, who developed a similar project successfully for the state of California, is directing this work. Secretary of Interior Lane is ready to employ 100,000 men at once upon United States reclamation and irrigation projects already planned and surveyed if Congress gives the signal and necessary appropriations. In 1919 the Department of Interior could employ 500,000 men upon a great plan to reclaim cutover and swamp lands and upon the development of new irrigation projects. This plan aims to increase the arable area of the United States by 250,000,000 acres and provide homes for 20,000,000 people.

The area to be reclaimed would increase by one-half the present

¹ A brief summary of the Pennsylvania Emergency Public Works Act will be found in the Appendix to this article.

improved farm land of the United States. This amounts to a peaceful conquest of thirty countries the size of Belgium or the admission of eight new Pennsylvanias into the Union. To what extent this plan, or portions of it, will be undertaken depends upon Congressional enactments.

The Highway Transportation Committee of the Council of National Defense is preparing legislation asking \$100,000,000 of federal appropriations for highway construction. Federal direction and assistance in improving the harbors of New York, Philadelphia and other ports will probably be asked.

Flood prevention offers a large field for federal activity in co-operation with the states. The engineers of the War Department have studied the prevention of destructive floods in the Ohio River basin, like those which wrecked Dayton, Ohio, in 1913. The cost of this vast undertaking is colossal, but so is the certain damage to life and property if unbridled floods are allowed to sweep on. The lower Mississippi and Miami Rivers, the Pittsburgh and other flood districts need federal and state assistance in flood prevention. The rivers of France and western Europe generally have long since been tamed and deprived of their power of destruction. The same must be done with our North American rivers and the time to undertake these great tasks is clearly during periods of unemployment. The fact that the cost of materials is lower then than in periods of greater industrial activity is an additional reason.

Shipbuilding may now be regarded as a part of public works, and one which will need more workers during the transition period than it was able to secure during the war, even after it had attempted to outbid all other industries by unprecedented wages.

The Railroad Administration will probably not undertake any important additions or improvements unless a change is made in the contract of the government with the railroads as to the clause reading: "the roads shall be returned to their owners in as good condition as when received." Under this clause the government would presumably not be compensated for any railroad extensions or additions it might make.

The limits to which necessary public works can safely be undertaken during the transition period are:

1. The amount of capital that may be raised by municipal,

state and federal governments without depriving private industry of the capital it also requires for equally essential enterprises.

2. The amount of materials available without depriving equally essential private industries.

3. Plans for these great undertakings in public works, especially those of the federal government, like reclamation and flood prevention, should be in readiness, but the whole program should not be put into operation unless the need is clear. Therefore Congressional authorizations should allow some discretion as to whether, when and to what extent the particular public works in question shall be undertaken.

Even though the public works of the United States annually amount to the great sum already noted, they are but a small percentage of the private industry and trade of the United States. Therefore if private industry were to be checked for a long period the greatest conceivable program of public works could not restore the balance. While private industries non-essential to war were reduced in war time to a mere shadow of their former selves, the vast aggregate of government war work more than offset this reduction. In peace times public works can never be on so vast a scale as were the governmental undertakings of war time, but neither will the suspension of private industry be as complete as in war time.

Public works is a good sponge to absorb workers spilled over by some sudden shock. Public works may absorb enough workers to prevent a serious flood and resultant wreckage and suffering. As buffer employment public works at the right time and in the right amount will oil the starting up of the peace machinery, but it will not provide the steam to keep the machine going.

The federal government is awake to the value of public works during the period of demobilization. To effect this great change with the least shock and suffering, the cities and states, under guidance from the War and Labor Departments, have a great responsibility and a greater opportunity.

APPENDIX—SUMMARY OF THE PENNSYLVANIA EMERGENCY PUBLIC WORKS ACT, SENATE BILL 1065, 1917

PURPOSE OF THE ACT

1. To provide for the extension of the public works of the state during periods of extraordinary unemployment.
2. To provide a fund for the purpose to be known as the Emergency Public Works Fund.
3. To create the Emergency Public Works Commission as trustees and custodians of the fund.

PROVISION OF THE ACT

The Emergency Public Works Commission shall consist of the Governor, the State Treasurer, the Auditor General and the Commissioner of Labor.

It shall be the duty of the Emergency Public Works Commission to proceed forthwith to secure from the various departments, bureaus, boards and commissions of the state, tentative plans for such extension of the necessary public works of the state as shall be best adapted to supply increased opportunities for advantageous public labor during such periods of temporary unemployment together with estimates of the amount, character and duration of said employment, the number of employees who could be profitably used therein together with rates of wages, etc.

It shall be the duty of the Emergency Public Works Commission, when in its opinion a period of extraordinary unemployment does in fact exist within the state, to make such disposition and distribution of the Emergency Public Works Fund among the several departments of the state for such extension of the public works of the state under the charge or direction of the state as the Emergency Public Works Commission may approve.

APPROPRIATIONS FOR EMERGENCY PUBLIC WORKS

The sum of \$40,000 is hereby appropriated to the Emergency Public Works Commission for the purposes of this act. (This sum should not lapse if unexpended, but with succeeding regular appropriations should be allowed to accumulate in the Emergency Public Works Fund, the purpose being to accumulate money during prosperous years for expenditure during periods of unemployment and industrial depression.)